

Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 SSO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-01 PRS-01 USIE-00 INRE-00 NSCE-00

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC IMMEDIATE 8960

INFO AMCONSUL ISTANBUL

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E.O. 11652: N/A

TAGS: ETRD, TU

SUBJ: REPORTED GOT IMPORT RESTRICTIONS

REF: ANKARA 3289

1. ON APRIL 25 REPRESENTATIVES JOSEPH FAINAS AND C.F. KOHLE OF FINAGRAIN GENEVA WHOLLY OWNED SUBSIDIARY OF CONTINENTAL GRAIN COMPANY (CONTGRN) CALLED ON EMBASSY TO REVIEW THE STATUS ITS NOVEMBER 1974 WHEAT CONTRACT WITH TOPRAK MAHSULLERI OFISI (TMO) A GOT AGENCY OPERATING UNDER LAWS 3491 AND 3460. BRIEFLY, ON OCTOBER 1, 1975 TMO ON BEHALF GOT, INVITED BIDS FROM GRAIN EXPORTERS FOR 500,000 TONS WHEAT FOR DELIVERY BY JULY 30, 1975. FINAGRAIN LOW BIDDER FOR 350,000 METRIC TONS (PLUS OR MINUS 10 PERCENT) OF US WHEAT ON A COST AND FREIGHT BASIS AND ACCEPTANCE MADE SUBJECT TO USDA APPROVAL WHICH GIVEN OCTOBER 11, NO. 1007. CONTRACT GOVERNING PURCHASE WAS SIGNED NOVEMBER 11 AND CALLED FOR LETTER OF CREDIT TO BE OPENED BY MARCH 31, 1975 AND DELIVERY OF WHEAT DURING MAY, JUNE AND JULY. CONTRACT IS SWISS FRANCS BUT AVERAGE
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CONTRACT PRICES AMOUNTED ABOUT US \$240 TO \$250 PER TON.

2. TMO FAILED TO OPEN LETTER OF CREDIT AND EARLY IN APRIL AT INSISTANCE OF THE MINISTRY OF FINANCE BEGAN TO EXPLORE POSSIBILITIES OF RENEGOTIATION OF CONTRACT BECAUSE OF DECLINE IN WORLD PRICES. BECAUSE OF THIS DEVELOPMENT CONTGRN REPS CAME TO TURKEY AND ON APRIL 24 CALLED ON THE UNDER-SECRETARY OF MINISTRY OF COMMERCE DURUGONUL, WHO ABRUPTLY INFORMED THEM THAT COUNCIL OF MINISTERS ON APRIL 23 HAD DECIDED TO CANCEL ALL OUTSTANDING COMMODITY CONTRACTS (DURUGONUL MENTIONED STEEL PRODUCTS, SYNTHETIC FIBERS, CEREALS, SUGAR) AND THAT FINAGRAIN COULD EXPECT AN OFFICIAL NOTICE FROM TMO. CONTGRN REPS FLABBERGASTED BY THIS NEWS CAME TO EMBASSY ON APRIL 25. REPS TOLD BY DURUGONUL THAT ALL IMPORTS MUST BE PRICED AT CURRENT MARKET LEVELS. REPS STATED THAT CONTGRN STANDS TO LOSE UP TO \$40 MILLION ON THIS TRANSACTION IF CONTRACT NOT HONORED. REPS TOLD BY DURUGONUL THAT COUNCIL OF MINISTERS DECISION WAS NOT CONSEQUENCE OF CURRENCY SHORTAGES BUT BECAUSE OF HIGH PRICE DIFFERENCES BETWEEN CURRENT AND CONTRACT PRICES OF RAW MATERIALS AND CEREALS. THERE WAS IMPLICATION THAT NEW GOVERNMENT WAS CRITICAL OF PREVIOUS GOVERNMENT FOR PERMITTING SUCH CONTRACT AT HIGH PRICES. DURUGONUL SUGGESTED THAT FINAGRAIN RENEGOTIATE PRICE. THIS REJECTED BY REPS. COMMENT ALSO MADE BY DURUGONUL THAT IN CASE OF ARBITRATION TMO WILL BE TREATED AS PRIVATE SECTOR COMPANY WHICH IS OBLIGED TO OBEY GOVERNMENT DECISION AND THEREFORE THIS WOULD BE FORCE MAJEURE.

3. DURING MEETING WITH EMBOFFS CONTGRN REPS INDICATED THEY WOULD CALL ON SWISS EMBASSY FOR ADDITIONAL SUPPORT. ECONOMIC COUNSELOR STATED THAT US EMBASSY WOULD GIVE ALL APPROPRIATE HELP POSSIBLE. LATER ON FRIDAY EMBASSY OFFICER CALLED ON DURUGONUL AND HAD THREE HOUR DISCUSSION HIS PROBLEM WHICH REPORTED ANKARA 3289.

4. SATURDAY MORNING CONTGRN REPS VISITED EMBASSY AND REPORTED THAT THEY HAD BEEN INFORMED BY GENERAL MANAGER OTTOMAN BANK THAT THERE HAD NOT BEEN A MINISTERIAL COUNCIL MEETING THEIR CASE BUT A SPECIAL RESTRICTED MEETING CHAIRED BY THE PRIME MINISTER IN WHICH THE WHEAT CONTRACT DISCUSSED. LIMITED OFFICIAL USE

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REPORTEDLY ONE MINISTER RECOMMENDED CANCELLATION OF CONTRACT BUT THIS WAS VETOED BY PRIME MINISTER WHO IS QUOTED AS SAYING THIS WAS "UNTHINKABLE". DECISION AT THAT MEETING REPORTEDLY WAS TO INSTRUCT MOC TO FORCE CONTINENTAL GRAIN (FINAGRAIN) TO LOWER ITS CONTRACT PRICE. CONTGRN REPS HAVE OBTAINED IMPRESSION FROM THEIR SOURCES THAT IF THEY HOLD FIRM THERE IS NO QUESTION THAT CONTRACT WILL BE HONORED AT ORIGINAL PRICE. REPS STATE THEY WILL SEEK APPOINTMENT WITH MINISTERS OF

COMMERCE AND FINANCE EARLY NEXT WEEK AND WILL KEEP EMBASSY INFORMED.

5. EMBASSY ASSURED CONTGRN REPS WE WILL CONSIDER BEST WAYS TO GIVE FURTHER HELP FOLLOWING THEIR MEETINGS WITH GOT MINISTERS. SWISS, GERMAN, AND FRENCH EMBASSIES HAVE THUS FAR HAD NO INFORMATION ABOUT ANY PROPOSALS OF GOT TO FORCE RENEGOTIATION OF IMPORT CONTRACTS.
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